

THE ECONOMIC CRISIS

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∞ *C. C. F.* ∞



*An Address to the Annual Convention
of the U. F. A.
on January 18th, 1933*



BY

Agnes Macphail, M.P.

AN ADDRESS
to the
ANNUAL CONVENTION OF THE U.F.A.

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- By -
AGNES MACPHAIL, M.P.

I am glad indeed to be in Alberta, and particularly glad to be able to address the United Farmers of Alberta. I think it a great honor to be invited to address the U.F.A., and may I say to you in beginning that I believe it more difficult to address this Convention than any other body in Canada because you know more. I have for a long time considered you the best informed organized group of citizens in the Dominion of Canada.

You have sent to the House of Commons a very fine group of men. Of course I would not tell you I like them all equally well, because one, particularly a woman, cannot like eleven men equally, but I like them all and that is saying a good deal, and I admire some of them tremendously. They have carried a great burden, not only a burden for your Province, but for all the intelligent people of Canada. You have for a long time been a class-conscious group, and entered every field where your interests were concerned, but now the U.F.A. is taking the initiative (we did take it early last summer, the co-operatives and other organized groups) to do work through the C.C.F. in a still larger way, and not only with groups that are organized but with groups that will be organized; I feel together we are going to set up a new social order, not over night it is true, but a new social order based on the needs of human beings.

POVERTY IN A LAND OF GREAT RICHES

I will only take a moment to describe conditions today, so distressing that you are all feeling them. Here we have in Canada at the moment a very serious condition. We have a land of great richness, a very extensive land. We have been familiar with the richness of it because in the long, long years we have been hearing about it once every four years from the politicians who came around to cheer us up with glowing stories of our wealth. So we know we have a very, very rich land, a sparse population of about ten million people to share among ourselves these great riches that are ours, and yet in this land, intensely rich and sparsely populated, we have conditions that are very distressing to you and very distressing to me. We have our youth coming out of school and college unable to find for themselves places in life. They are coming out equipped, enthusiastic and eager, but unable to make a contribution to society and to live their own personal lives as they would like to do, which is a very serious thing.

We have in Canada a bankrupt agricultural industry, an industry that is not able out of production to pay fixed charges and maintain a decent standard of living. We have in Canada an unemployed group that is very

large and getting larger every day. We have today possibly about three quarters of a million unemployed, and those dependent upon them. The Prime Minister does not agree with those figures. They are Mr. Woodsworth's figures given by him in the House of Commons, and he arrived at them with the assistance of the Bureau of Statistics.*

Three quarters of a million out of ten millions are at the moment unemployed. They are people who view the future with fear. They have not the wherewithal to provide food, clothing and shelter, to say nothing of the other things necessary for happy living. The lack of purchasing power of the unemployed, the stagnation of agriculture and other basic industries, have resulted in bringing the industrial and commercial life of Canada to something very like a standstill. I need not labor this point. It is a condition equally familiar to all of us. In this very rich and sparsely populated country we know individuals and municipalities and provinces are becoming insolvent, and through no fault of their own, may I say. We know that money, the means of payment, is in the hands of a very few people in Canada. We know the great machines which can produce goods at a rate heretofore thought impossible are owned by a very few people. We know the people as a whole are today haunted by fears of want; that worry and despair are abroad in the land, and that in a land of plenty. We surely can say at the end of this recital of our unhappy condition, that it is quite time Canadian citizens aroused themselves. It is time that by intelligent collective action the Canadian people make fundamental and radical, though constitutional, changes. Those who dare call ourselves radicals—constitutional radicals—should stop apologizing for ourselves and give up caring whether we are called red or pink or any other color. I have heard—ever since I came to Calgary—people going to great lengths to point out they were not radicals. The only reason I would not claim to be a radical would be that I felt I was not worthy to be so called. I think the only people who are going to be much use in the ten or fifteen years coming are radicals, those willing to study and think and do a good job at mental house-cleaning and then keep the place—I mean their heads—in order, and then use their energy in service of the whole community of Canada.

BREAKDOWN AT POINT OF DISTRIBUTION

In any previous slump or depression we have had, there never has been such a large number of world governments threatened with national bankruptcy and never before have they come so close to complete economic and political collapse. I was noticing on the back of this interesting work I am going to recommend to you for study, "An Intelligent Man's Guide through Chaos," by G. D. H. Cole, the sentence, "The old economic life of the western world is passing away before the eyes of the present generation, amid every circumstance of distress; and thinking people have ceased to doubt that the next ten years will witness, at the least a complete readjustment of the old machinery, at the best or worst, the revolutionary birth of a new order."

We can safely make the statement that the present economic system has broken down at the point of distribution. We are able to produce goods, all kinds of goods, in quantities sufficient to meet our needs or to provide a surplus which can be exchanged for goods which our climate and condition prohibits producing. We have a trained and an intelligent people; fertile lands; wealth in mines, forests and waters, as well as sufficient plant and equipment, which are capable of satisfying all our needs. The mastery of production is the great contribution capitalism has made. The problem to be

* Note—Since Miss Macphail's address was delivered official figures have been issued from Ottawa, dated February 14th, giving the total number of persons in receipt of unemployment relief in the month of January as 1,357,562.

faced now is that of distribution, making available to all the people the goods and services they require. We have all seen the frantic efforts made by merchants to distribute their goods. Recently I was in Texas. On the way down I saw, in both Detroit and St. Louis, new methods of breaking down sales resistance. In Detroit if one bought ten gallons of gasoline the purchaser was presented with a dozen rather beautiful tumblers. In St. Louis the bonus idea was carried still further; I saw an ad. in a window stating that anyone buying \$20 worth of merchandise would be given what looked like a rather good dinner set. These dishes a few years ago would have cost \$20. What extraordinary procedure! I was thinking if the depression held out much longer one could get the goods without buying them at all.

If people had the money to buy there would be no sales resistance to break down. Think what a wonderful day it would be for the merchants and manufacturers, yes and the farmers, too, if everybody in Canada could buy all the things they want. The reason people are not buying is that they have no purchasing power. We have this glut of goods on the market caused by various things, but for the most part because of the fact that there is not in circulation a sufficient supply of means of payment, or money, to purchase the goods and services on the market. There are various other things that have brought us to this position, such as private control of the machine, the owners of which never paid out in wages and salaries purchasing power sufficient to enable the people who work in all industries, to buy back the product of their own labor. Every time the machine turned over it created surplus goods that could not be absorbed. The people who could consume had not the money and on the other hand those whose dividends, interest and profits came out of industry had more means of payment than they had capacity to consume goods. On the one hand there was too much money and not enough capacity and on the other hand were people with a great capacity but not sufficient money; so all the time there has been this piling up of surplus goods; in every highly industrialized country in the world. Every country which is manufacturing is hunting for world markets. Every country endeavors to sell to other countries the goods which their own people would so much like to have but cannot afford to buy. Then, because the masses of the people in the other countries are in the same position (they have too great capacity to consume but insufficient means of payment) their governments erect tariff barriers to stop goods coming in that their manufacturers may keep for themselves the capacity of their own people to consume goods. I have stated in a very sketchy way what we all know to be true.

A MONETARY CRISIS

I want to deal with the fact that this is a monetary crisis, which fact is more and more coming to be realized. Soon it will be so universally believed that even the Prime Minister of Canada will be a convert to the idea.

I was reading an interesting pamphlet by Stuart Chase on Economic Planning, in which he writes about men and machines. He says two things must be brought to heel—money and the machine, the financial structure and the factory system. He states, "If we are going to have a mechanical civilization we have got to control it. It cannot be allowed to drift aimlessly without ultimately wrecking us." I think that is very true.

I have been reading, too, an interesting book by Gustav Cassel, "The Crisis in the World's Monetary System." Cassel says about the crisis (and he is one of the few great economists in the world), "Such a fall in the general level of commodity prices is a monetary phenomenon. Purely economic factors can alter relative prices, but the absolute height of the general level of prices cannot be determined by them... We can give good reason why wheat or coffee should fall in price relative to other commodities, but these

give no explanation of the fact that the centre of gravity of commodity prices has shown such a violent downward movement." Sir William Beveridge says practically the same thing. Cole says the same thing. Anyone who approaches the subject without bias must come to the conclusion that this crisis is very largely a monetary crisis; that is, the means of payment, or money, or credit, is insufficient to move the goods and absorb the services on the market. Just for the sake of those who still scoff at this kind of thing I want to quote from Cassel: "If production increases, the supply of means of payment ought naturally to be increased at the same rate, and if this is done there is no reason why the general level of prices should fall, and the monetary stability of a country can only be maintained by a deliberate monetary policy constantly adjusting the means of payment to changing conditions and thus in spite of all disturbing influences making itself master of the situation."

That sounds revolutionary. You cannot say things like that and remain respectable with the top stuff in Canada. For instance, the two papers in a western city are making themselves, and not those they criticize, ridiculous. I was saying last night that anybody who sticks for sound money had better get ready to make a quick turn, and as it is a bit icy and skiddy, you had better get ready now. Our enthusiastic deflationists need to prepare to change their minds, as they are going to have to in the very near future.

CURRENCY INFLATION

Let us take a moment or two on inflation. We are going to inflate our currency in Canada. If the Federal Government stays in power, this Government headed by R. B. Bennett will inflate the currency of Canada. I know it sounds unlikely, but they will. They will either do that, or they won't be there. There are very good reasons for such a statement. We are not borrowing anything more abroad. I think we are not floating any more loans at home. We had quite a time over the last loan which hung on the market; the Prime Ministers throughout Canada were called on to make speeches calculated to increase the sale of the bonds. After eleven years in the House of Commons one is inclined to see some relation between the increase of the cash reserves of the chartered banks by thirty-five million and the subscribing of two million by the banks. The C.P.R., too, subscribed a couple of million, not so long after the Government had loaned the C.P.R. a million and three-quarters without interest and not to be paid back until the company was making 5 per cent dividends. This is a unique way of breaking down sales resistance.

We will have a deficit of around one hundred and fifty million this year. If it is not to be met by a foreign or domestic loan, the gap between receipts and expenditures will be bridged, I should think, by either taxation or inflation. During the last few years the Government has tried to meet the deficit in the budget by increasing taxation from year to year, but with the increase revenue lessened. So that method seems unsatisfactory. Well, we have inflation left and at long last, I am convinced that the Government will inflate the currency of this country.

The agricultural industry is in a bad way; the level of the farmers' debts and the level of the prices which he must pay for the goods he needs, are away above the level of the prices he gets for his commodities. In dealing with this phase of the situation Gustav Cassel says: "A sudden fall in the general level of commodity prices must be expected to be followed by a maladjustment of the different groups of prices one to another. Such a maladjustment naturally causes serious disorder in the whole economic mechanism. This is precisely what characterizes the present situation. Everyone can see that the restoration of normal prosperity is possible only if the different prices can be adjusted one to another . . . For an unbiased

observer it would seem most natural to attain that end by endeavors to raise the lower prices to a level where they would again be in equilibrium with the higher prices. Deflationists however think the necessary equilibrium should be brought about by forcing down all prices to the level of the lowest. They disregard the great social evils . . . unavoidably connected with a restrictive policy of such severity as would be required for the purpose. And what is still more important, they do not understand that such a restrictive policy would inevitably expose the low prices to a new pressure and cause them to fall still more." Yet in Canada we are still pursuing the deflationist policy, which policy has around its head the halo of great power and sanctity (sound money). But it is wrong, and one day we will forsake it. Cassel even advises gold countries to inflate their currency. What heresy!

We need federal control over the issue and volume of money. In Canada 96 per cent of all credit, or means of payment, is bank loans—pen and ink money, and only four per cent is made up of bank notes, Dominion notes and coin. It seems unbelievable that the people of Canada let the making and unmaking of money go out of the control of the Federal Government and by bank charters enabled the banks legally to write notes against our assets for which we pay high rates of interest. That is, the banks increase the volume of currency and credit in Canada when they wish and also decrease it when they wish. Under this system no substantial amount of new purchasing power can be released without writing against it debt in the form of interest. The folly of it is apparent without further argument.

The right of issuing money should be in the hands of the federal authority. The amount of money in circulation should be determined by the amount of goods and services on the market. If we are sensible we will have a managed paper currency, having no relation to gold at all except inasmuch as gold is one of the products of our country. What shall we do with our gold then? Voice from the audience: "Use it for wedding rings." Or for dental requirements; a less painful method. (Laughter). The banks have not realized their responsibilities to society. They issue purchasing power by way of bank loans when the need is least and call in the loans when the need is greatest. As Mr. Leigh of the London Chamber of Commerce said in Ottawa last summer, it works out the same as a friend lending an umbrella when the day is fine and demanding its return when it rains.

The depreciation of Canadian currency must come if the British market is to be much use to Canadians, particularly Canadian agriculturists. As it is we are paid with the British paper pound and when we convert it into Canadian currency we have less money than our products brought at Liverpool. An indignation meeting of farmers was held in Thornbury the day before I left Ontario. The two chief products of the Beaver Valley in Grey County are apples and alfalfa meal. Our dear money had affected the sale of apples to Great Britain ever since Britain abandoned the gold standard. The chief competitor in alfalfa meal is South Africa and when that country forsook the gold standard the Beaver Valley alfalfa meal was pushed off the market in twenty-four hours. It is significant that the chairman of that meeting and the mover and seconder of the protest resolution to the Prime Minister, were, until recently, ardent Conservatives.

SHOULD PLAN ECONOMIC LIFE ON CONSUMPTION

Until we have solved the problem of distribution of goods we should address ourselves particularly to its solution. We should have an economic policy based not on production, as the economics of the past have been, but on consumption and our taxation, financial and fiscal policies of Canada should be directed toward increasing the consuming power of the masses, and should penalize savings for investment in productive enterprises which would only embarrass that which already exists. We have become so used

to the philosophy of the nineteenth century, working, saving, investing capital in production and keeping on doing it while life lasts, that it is difficult for us to realize that the consumption of goods is the important thing.

Our national economy should be directed toward allowing people to consume more and more goods and possibly the first and greatest step is the regaining of the right to issue currency and credit by the federal authorities in such quantities as will best serve the people's need. Unemployment is rampant in the land. The only real cure is employment and surely if society was organized for people and not for profit interesting work could be provided. The slums could be eradicated from our cities; electric energy carried to our farm homes; reforestation projects carried out and excellent roads built. We could do all these things if we were using our own credit and not paying to the money barons large sums for the right to use our own credit. We have spent tremendous sums paying interest on loans made by financial houses in New York against the assets of the Dominion of Canada. We should come to our senses and stop borrowing abroad. If the resources of Canada are sufficient for private firms and great corporations of any sort in New York to write figures representing assets in the ledger they are sufficiently good for our Government to issue the means of payment against, and without interest. If we did that we should be able to pay back the principal some time.

Part of our problem, too, I think is taxation. I have not time to go into that, but I do think Federal taxes should be lifted off the mass of the people and put on accumulated capital that cannot find any way of working than to attempt to enter again into the field of production. There is no use in investing capital to produce more goods until we find ways of consuming the goods. We should put the great bulk of taxation upon the accumulated capital which the owners do not know what to do with. We should thus relieve them of anxiety.

DISTRIBUTE THE EARNING POWER OF THE MACHINE

I think we must as time goes on gain control in some way or other over the machine. We are now coming to see we cannot go on as we are doing because invention is increasing all the time and instead of the machine being an alleviation for man's labor it displaces the man. Great machines cannot consume the goods, so unless the earning power of the machine is distributed over the mass of the people, to enable the people to consume the goods which the machine produces, we cannot get ourselves out of the difficulty. I have no cut and dried method to propose to you. I think monopoly in industry should be broken. It seems inevitable that the standard of living will rise higher and higher for the masses of the people in every country in the world. There will be more leisure, more purchasing power, a greater appreciation of the beautiful and desire for learning. Only thus can we save ourselves from the monster machine. Today almost everything is operated for profit but in the future the machine will operate to produce goods for use; the fears that haunt people—fears of sickness, unemployment, a destitute old age—can be lessened and in a sensible society almost eliminated.

INTERNATIONAL CONFERENCES TODAY ARE FUTILE

In the House of Commons when advanced measures for the improvement of the people's condition are urged, the Government always says nothing can be done about it until we have an international agreement. They contend that we cannot clothe and feed and house our own people unless all the world agrees. As you know, I am aware that the world is an economic whole. The inventions and progress of the last half century have made us dependent one on the other. Yet I believe that sound international

action will follow and not precede sound national action. One is lead to believe that lately we have been fooled along from conference to conference. There have been fifty international conferences since the war, resulting in only very slight gains. Until we are ready to take care of the people in our own country we are not likely to be much use in an international conference which seeks to solve the problems of the world.

THE CO-OPERATIVE COMMONWEALTH FEDERATION

For the rest of my time I want to deal exclusively with the C.C.F. The group in the southeast corner of the House of Commons, realizing how serious the economic condition is and how trifling are any of the remedial measures enacted and sensible of the suffering of the people of Canada, decided that something definitely must be done. We realized that the corner stones of the new social order will be laid in the House of Commons of Canada—if they are laid constitutionally. Because it is there that all major policy is decided upon. You will have noticed how helpless the municipalities and the provinces are in relation to the pressing problems of today. They cannot create money, nor affect to any extent trade, immigration, etc. As month after month of the depression went by, we waited for either of the old parties to make a pronouncement which showed that they realized the need of fundamental changes. But we waited in vain.

In the eleven years, the farm and labor groups have worked out a technique in co-operation and have found that fundamentally we were in agreement. We knew too that a great body of Canadians, business and professional people, were awakening to the need of independent action in the political field. We saw how necessary it was that all groups travelling in the same direction should go together and we believe that together we could build a society that would assure a future for our youth and a security for our aged.

In this city of Calgary on the first day of August last the organized economic groups with a common objective, organized the Co-operative Commonwealth Federation. It is a federation—each group joining retains its own identity and economy. The purpose of forming the federation is to make the efforts of like minded groups more effective by united action. The C.C.F. is an instrument which may be used to express the ideals, the zeal and devotion, the public spirit and practical wisdom of large numbers of Canadians. The C.C.F. offers the opportunity to all people who desire a society built for the good of the people, to organize and then, federated with others having a similar purpose, set about the task.

We are going down the long road together and for at least part of the way can accompany each other and make the journey less disastrous. It is a start and one that makes me very happy.

C.C.F. CLUBS IN ONTARIO

I think you will see formed throughout Canada C.C.F. groups. This gives the people in the towns and villages and cities who up to this time have not affiliated with farmer or labor organizations, an opportunity for organized work as citizens. The C.C.F. clubs as in Ontario made the membership one dollar and dues 25 cents a month and they formed an association of C.C.F. clubs. There has also been formed a Federation of Labor organizations, which is called the Labor Conference, and representatives of these, with the U.F.O., constitute the Provincial Council. I think the thing is going to go over well. Where you have groups or C.C.F. clubs you can read books by such men as Soddy, Cole, and Cassel. As one of those eminent British economists at the world economic congress said: "We need to stir our minds; we need to be seeking the truth and even when we are quite sure we

have found it, we can be very sure we have not found all of it." If ever there was a time when citizens need to meet with each other and study carefully in order to equip ourselves to build the house of the future that time is now. I think the C.C.F. offers that hope. I think it is the only thing in the political field that offers hope. I would be happy indeed if one of the old parties, with the organization and having a good deal of knowledge, and expert parliamentarians, had come to realize we are living in the twentieth century. We are a very small group and it is extremely hard on those of us who sit in the House of Commons. You also must go and carry this light, this only hope, until such time as we line up in the House of Commons sufficient numbers to bring constitutionally and rapidly this new social order.

YOUTH AND THE C.C.F.

The C.C.F. offers the only hope for youth. Youth will rally to the Co-operative Commonwealth in great numbers. This is a letter Mr. Woodsworth received: "It is with serious regard for the future well-being of humanity I agree with the statement issued by the C.C.F., the essence of which is practical and workable. I am afraid you have a large undertaking, and the number of followers possibly so large as to frighten you, but do not decline to go forward, is my earnest plea." That is a letter that came in the day after the great meeting in Toronto. Mr. Gardiner, Mr. Woodsworth and Mr. Irvine were all in Toronto at the same time, and so many people came to the hotel that we practically could get no rest at all. Large numbers came, people with an excellent education and people with no means and in the broad line, and people who intellectually had arrived at the place where they saw a change was absolutely necessary.

I think, too, the C.C.F. is the one thing in the political horizon which offers people release from incessant daily toil. The ridiculous thing today is that great numbers have nothing to do and others have too much to do. We cannot expect to realize the creative qualities of the Canadian people until we relieve them of their haunting fears of poverty, illness and destitute old age.

We all desire economic security but that, after all, is only a means to an end and the end is the living of life—abundant, beautiful, adventurous life. Today most people spend nearly all their days earning a living and have little time to live. So many hunger for leisure to enjoy their children, the fellowship of their friends, literature, music, travel and drama; in a sensible system all should be able to taste the best that life has to offer.

In closing let me say to the U.F.A. members that we must not forget in the C.C.F. to welcome the citizens of the towns, villages and cities who wish to join us in the adventurous and fascinating task of building a social order for people and not for material things. And also do not think that a few in the House of Commons, particularly some of your group who are working altogether too hard, should carry all the load, and all members in the southeast corner should bear the burden which is theirs as equally as possible. There are enough drags on the wheels of progress without electing them.

Some of your men have busied themselves carrying the light to the Maritimes, to Ontario, to Manitoba and we still must enter the Province of Quebec. Such organizations as yours must produce speakers and organizers; it is quite unfair to expect some to spend the last cent of their indemnity travelling, paying their own expenses, staying in private houses where the host insists on talking to the weary speaker until 2 o'clock in the morning, wearily carrying the burden that should be borne by all. Only when the whole people are aroused will we control the Government.

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